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Federal Communications Commission  
Washington, D.C. 20554

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In the Matter of )

Common Carrier Bureau Seeks Comment on )

Universal Service Support Distribution Options for )  
Schools, Libraries, and Rural Health Care Providers )

CC Docket 96-45

**The Missouri State Library  
Office of Secretary of State  
Comments to Distribution Options for Universal Service Fund**

**Introduction**

The Missouri State Library, a division of the Office of Secretary of State of the state of Missouri, respectfully submits its comments to certain provisions suggested in the Public Notice (DA 97-157) released by the Federal Communications Commission on September 10, 1997.

**Potential for Exhaustion of Funds**

There has been much discussion about whether the \$2.25 billion Universal Service Fund will be adequate to fulfill the needs of all schools and libraries submitting applications. Obviously, we are about to find out come January 1, 1998; it is prudent to prepare for the exhaustion of funds should that occur. The Missouri State Library believes the Congress, Joint Board and FCC intent was to provide as much funding to as many schools and libraries as possible. Congress delegated to the States and FCC<sup>1</sup> the power to determine the appropriate size and mechanism of the funding. The Joint Board and FCC conducted numerous hearings, ex-parte contacts and comments seeking information and definition on the needed size of the fund and appropriate funding levels. However, due to the unprecedented nature of this fund, it is obvious that hard facts defining the size of the fund were difficult to obtain. Thus, we are still debating whether the determined size will be adequate.

<sup>1</sup> Section 254 of The Telecommunications Act of 1996

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The Missouri State Library agrees with the suggestion to allow a "window" period to be established to allow more parity among applicants, thus alleviating some of the administrative problems associated with the first-come, first-served provision. However, we suggest a longer period, than the suggested two-weeks, would be more beneficial. We suggest a series of four to six-week windows, or longer, after an initial two-week window. The initial two-week period is suggested to allow the administrator to start processing applications as soon as possible. We believe the four to six-week periods will allow more time for the administrator to complete the application process. In addition, the four-weeks would coincide with the four-week posting period that has been established.

While the provision of "window" periods is appropriate, the Missouri State Library also urges the Joint Board and FCC to consider alternative approaches to the inequities inherent in a first-come, first-served provision. The first-come, first-served provision works against those schools and libraries most in need of assistance from the fund for these reasons: the neediest school districts and libraries do not have the technology experts on staff to prepare applications; the fear of being left out of the approved application list may mean hastily prepared applications, or failure to apply at all; and the first-come, first-served provision favors one-time expenditures, over preparation of applications addressing the real need for assistance with on-going costs and higher band width.

The Joint Board rejected the Block Grant approach to the distribution of Universal Service Funds, in favor of approving applications directly for schools and libraries. The Missouri State Library suggests that the \$2.25 billion Universal Service Fund could be partitioned into a reserve for each state. This would ensure those states that have schools and libraries eligible for the largest discounts, or in high cost areas, will have equitable access to the fund.

Should the \$1 billion in funding available between January 1 and June 30, 1998, be depleted, we suggest the last \$250 million be dispersed in accordance with the rules of priority established in the May 8 Order. We also suggest that the schools and libraries that have applied during the first 6 months and did not qualify for funding, due to the rules of priority, be given first priority for the additional \$1.25 billion starting July 1, 1998. Finally, the FCC and Joint Board should forecast the requested amount needed for the last half of 1998 using the trending developed during the first half of 1998. If the fund appears not to

be adequate to meet the needs of the projected last half of 1998, the FCC in conjunction with the Joint Board should determine whether the percentages determined in the matrix<sup>2</sup> should be revised to accommodate as many schools and libraries as possible.

**Report by the E-Rate Implementation Working Group**

The Missouri State Library commends the "Working Group on the Implementation of the E-Rate" on its report of July 31, 1997. The Missouri State Library suggests the following revisions are considered to those recommendations:

To ease the administrative burden on the National Exchange Carrier Association (Administrator) of the fund, to delegate the independent review of the plans and applications to the states, and to allow for coordination of services and encourage consortiums within the states, we believe it was intuitively intended to have each state be the depository of all its data. We suggest each state should be given broad guidelines for accommodating this mission, while given flexibility in its structure and procedures. As instructed by the FCC, this information should be provided to the independent state agency to validate the minimum requirements and assist in preventing abuses, while streamlining the process for schools and libraries. We, therefore, cannot support the suggestion of a Data Warehouse<sup>3</sup> which would will be duplicative to the intended process, possibly causing unnecessary delays in the process, and promoting unnecessary costs to the USF, and thereby, divert funds that could be used to the benefit of providing needed services to the schools and libraries.

The Missouri State Library supports the long-range goal of developing standardized forms<sup>4</sup> and further supports the suggestion that the process not be delayed while these forms are being developed. We suggest that once these forms are developed that they be put out for public comment prior to being adopted. We concur with the statement of the Working Group that these standardized forms (submitted

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<sup>2</sup> paragraph 520 of May 8, 1997 Order in CC Docket 96-45

<sup>3</sup> Section V, Data Warehouse, Working Group Report of July 31, 1997

<sup>4</sup> Section VI, Interim Requirements, Working Group Report of July 31, 1997

either electronically or paper<sup>5</sup>) be kept very simple and require the least possible change from existing collection efforts currently being performed by the schools, libraries and their governing bodies<sup>6</sup>.

In regard to the suggestions on the Aggregation of Discount Rates<sup>7</sup>, the Missouri State Library is strongly supportive of the recommendation that the aggregator of costs be given as much flexibility as possible in allocating common costs. Due to the wide variety of services, technology, and the mix of eligible/ineligible consortium participants<sup>8</sup> it is intuitive that “one shoe will not fit everyone”. One prime example of this is packet switching verses non-packet. The FCC is well aware of the complexities of allocating the costs of packet switching in conjunction with a non-packet environment. The Federal Joint Board CC Docket 80-286 has been evaluating and studying this issue for a number of years, and has yet to reach resolution. The same problems that the FCC has in the area of separations exist in the allocation of costs between a shared network of schools and libraries. The Working Group was wise to suggest that the goal of providing each school and library its full discount, should be the lynchpin for cost allocation. We also agree that the work papers and description of the cost allocation process and procedure be subject to review and audit and that this will provide adequate incentives to ensure these objectives are addressed.

Finally, the Missouri State Library supports the recommendation and acknowledgment<sup>9</sup> on the need for flexibility and a “minimal-burdensome methodology” to contend with the complexities and multi-components of a comprehensive information-technology program that may need to be disaggregated. As noted in the report, “An individual school might, for example, procure its internal connections at the district level, receive its Internet access from a geographically larger education service agency and be part of a State network for its voice and data feed.” This statement is consistent with the Joint Board’s recommendation and FCC’s Order that states, “We agree with the Joint Board’s conclusion that severely limiting consortia would not be in the public interest because it would serve to impede schools and libraries

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<sup>5</sup> Section II, Application Process Provided by E-Rate Ruling, Working Group Report of July 31, 1997

<sup>6</sup> Section IV, Data Standardization, Working Group Report of July 31, 1997

<sup>7</sup> Section VII, Aggregate Discount Rate, Working Group Report of July 31, 1997

<sup>8</sup> paragraph 564 of May 8, 1997 Order in CC Docket 96-45

<sup>9</sup> Section III, Aggregation/Disaggregation, Working Group Report of July 31, 1997

from becoming attractive customers or from benefiting from efficiencies, such as those secured by state networks<sup>10</sup>

### **Summary of Comments**

The Public Notice requests comments on its proposal of creating a “window-period” for accepting applications from schools, libraries and rural health care providers which would give equal priority to all applications filed within a specified window-period, thus eliminating some of the problems anticipated with the “first-come, first-served” provision. The Missouri State Library is supportive of creating “windows-periods” for accepting the applications. In addition to relieving some of the burden on the administrator, window- periods would create a more equitable system for schools, libraries and rural health care providers. We suggest an initial “window” of two-weeks followed by four-to six-week window-periods.

In addition to "window" periods, the Missouri State Library has also urged the consideration of alternative approaches to the 'first-come, first-served' provision, particularly the partitioning of the Universal Service Fund into a reserve for each state.

For the period between January 1 and June 30, 1998 we are supportive of distributing the remaining \$250 million, should the fund reach the \$750 million benchmark, in accordance with the rules of priority established in the FCC's May 8 Order. We also suggest that should this benchmark be prematurely reached and should the projections, based on the trending of the first 6 months, show that the remaining \$1.25 billion of funding for calendar year 1998 will also be prematurely depleted, then the FCC, in conjunction with the Federal/State Joint Board, should be reconvened to re-assess the matrix percentages, so that the annual \$2.25 billion fund can be maximized to assist as many schools as possible, rather than benefiting only a portion.

The Missouri State Library commends the “Working Group on the Implementation of the E-Rate”(Working Group) on its report of July 31, 1997. Overall the Missouri State Library is very supportive of many of the recommendations that are made throughout this report. However, we suggest that the

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<sup>10</sup> paragraph 569 of May 8, 1997 Order in CC Docket 96-45

recommendation of the Working Group to establish a data warehouse<sup>11</sup> not be implemented. We note the Joint Board's recommendation and the FCC's Order<sup>12</sup> concludes that the plans and applications be reviewed by an independent entity, preferably a state agency that regulates schools and libraries. We believe that it was the intent of the Joint Board and FCC to establish the reviewer of these plans and applications to also be the depository and collector of these plans in the event of an audit. Therefore, to establish an additional data warehouse, outside the state boundary, would duplicate this process and create unnecessary expenses, thereby diverting funds that could be used to the benefit of schools and libraries. We are supportive of standardized forms and agree with the conclusion of the report that lead-time will be needed to establish high-quality standardization, and that the initial submission of forms not be delayed in order to develop standardized forms<sup>13</sup>. We strongly concur with the Working Group Report suggestion that standardized data formats be kept very simple and require the least possible change from existing collection efforts by schools and libraries and their governing bodies.<sup>14</sup> In regards to the Aggregation of Discount Rates<sup>15</sup>, we strongly concur with the Working Group in suggesting that the FCC recognize that an aggregator or consortium be given as much flexibility as possible in allocating common costs<sup>16</sup>, while achieving the over-arching goal that each school and library receives the full benefit of the discount to which it is entitled. Finally, we are pleased that the report recognizes the complexities of Aggregation/Disaggregation<sup>17</sup> and supports a "minimal burden methodology" for accommodating individual schools that may participate in procuring its network from multiple sources, including a State network.

### **Conclusion**

The Missouri State Library appreciates the opportunity to comment on these issues and urges the FCC to accept the foregoing suggestions.

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<sup>11</sup> Section V, Data Warehouse, Working Group Report of July 31, 1997

<sup>12</sup> Paragraph 574 of May 8, 1997 Order in CC Docket 96-45

<sup>13</sup> Section VI, Interim Requirements, Working Group Report of July 31, 1997

<sup>14</sup> Section IV, Data Standardization, Working Group Report of July 31, 1997

<sup>15</sup> Section VII, Aggregate Discount Rates, Working Group Report of July 31, 1997

<sup>16</sup> Section VII, Aggregate Discounts Rates, Working Group Report of July 31, 1997

<sup>17</sup> Section III, Working Group Report of July 31, 1997

Respectfully submitted,

Missouri State Library,

Office of Secretary of State

By: Barbara Reading

Barbara Reading, Library Development Director

600 West Main, P.O. Box 387

Jefferson City, MO 65102-0387